



cc: AM's
RM's
SR's
RR's

S.R. MacLeod

Region Operations Manager
Buffalo #1600

April 17, 1997

e/m: 4-17-97

TO: AM's, RM's, SR's & RR's

RE: 1997 SIAP

Ladies & Gentlemen:

Enclosed please find a copy of the 1997 Sales Incentive Award Plan. Should you have any questions, please contact your manager.

Sincerely,

Stephen

S.R. MacLeod
ROM/#1610
:ctb

cc: W.J. Roth
KAM's
DM's

7cc:

sm-30-97.doc

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1997 Sales Incentive Award Plan

The 1997 Sales Incentive Award Plan has been designed to allow employees to maximize potential awards based on both the Company's performance and the eligible participant's performance of assigned job accountabilities.

The positions (shown below) are eligible to participate in the 1997 Sales Incentive Award Plan are:

<u>Job Code</u>	<u>Field Sales Position</u>	<u>Award Target</u>
70330	Region Operations Manager	15%
14324	Retail Manager - FS	15%
14340	Account Manager - FS	15%
14305	Sr. Area Sales Representative	15%
14075	Area Sales Representative	15%
14066	Territory Representative	15%
14055	Territory Representative	10%
14043	Sales Representative	10%
14045	Sales Representative - E	10%
14008	Retail Representative - R	10%
14053	Retail Representative - E	10%

Guidelines relative to eligibility for payments under the 1997 Sales Incentive Award Plan are included on the last page of this document.

1997 Sales Incentive Award Plan Components

The 1997 Sales Incentive Award Plan will consist of three categories: Company Financial objective, Market Share objective, and Individual Performance objective. As in the 1996 plan, the Company Financial objective will be measured via the Operating Company Contribution (OCC). Market Share objectives have been established for Full Price, Camel, and Doral. Individual Performance objective is based on each employee's performance rating versus assigned accountabilities. The assigned weightings for each of the categories are as follows:

<u>Category</u>	<u>Program Weighting</u>
Company Financial Objective (OCC)	50%
Market Share Objective	
Share of Full Price	10%
Camel Share of Market	10%
Doral Share of Savings Segment	10%
<u>Individual Performance Objective</u>	<u>20%</u>
Total Program Objectives	100%

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Company Financial Objective (OCC)

The Company financial objective is to attain an OCC of \$1.470 billion in 1997. Shown below is a chart of how the Company financial objective will be scored based on actual 1997 results achieved:

<u>OCC Achieved</u>	<u>Score</u>	<u>OCC Achieved</u>	<u>Score</u>
\$1.470 Billion	100	\$1.432 Billion	45
\$1.464 Billion	95	\$1.428 Billion	40
\$1.459 Billion	90	\$1.425 Billion	35
\$1.453 Billion	85	\$1.421 Billion	30
\$1.450 Billion	80	\$1.418 Billion	25
\$1.448 Billion	75	\$1.414 Billion	20
\$1.445 Billion	70	\$1.411 Billion	15
\$1.443 Billion	65	\$1.407 Billion	10
\$1.440 Billion	60	\$1.404 Billion	5
\$1.438 Billion	55	\$1.400 Billion or below	0
\$1.435 Billion	50		

Market Share Objectives

The share objectives for 1997 have been equally weighted to stress the importance of each in the Company's objective to grow and or maintain the business in all segments. The table below illustrates the scoring based on each objective's results in 1997:

	<u>1996 Results</u>	<u>Market Share Objectives / Scoring</u>				
		<u>100</u>	<u>75</u>	<u>50</u>	<u>25</u>	<u>0</u>
Full Price Share of Market	16.96%	16.96	16.86	16.76	16.66	<16.66
Camel Share of Market	4.14%	4.74	4.64	4.54	4.44	<4.44
Doral Share of Savings	20.02%	21.75	21.52	21.27	21.02	<21.02

Individual Performance Objective

In past SIAP programs, employees were assigned very limited objectives (i.e., call count, coverage, etc.) for the plan year. These objectives were sometimes met, but at the expense of overlooking other job accountabilities which can impact our business. Therefore, to continue to allow employees a direct impact on the total award dollars which can be earned within SIAP, in 1997 each participant will have 20% of his or her targeted award related directly to the performance of his or her overall job accountabilities. This component known as the Individual Performance Objective will be tied directly to an employee's overall performance rating during the plan year.

Your manager will review with you the performance standards which are to be established for your respective position. At that time, your manager will establish goals for each of these performance standards and the associated ratings if these objectives are met during the plan year. For example, under the performance standard of the Retail Representatives (in the area of Administration and Communication), there are general standards for both coverage and call count. If you are a Retail Rep, your manager will establish measurable objectives for each of these accountabilities and the level of achievement required to reach each rating. The objective for call count might be established as 7 calls per day equating to a rating of fully meeting expectations, 8 calls per day might be the benchmark for exceeding expectations, and 6 calls per day might result in a rating of minimally meeting expectations.

It must be stressed that even though the example of call count was used to demonstrate how the goal setting process should work, call count is only one small component of the total job accountabilities assigned to the Retail Rep position. Making the call count objective will not result in the person's overall performance rating being fully meeting expectations if the person fails to execute price gap strategies for the sake of making "quick" calls. The Individual Performance objective is a performance rating for all aspects of your job accountabilities.

The chart below shows the Individual Performance Objective scores which can be earned based on your overall performance rating:

<u>Performance Rating</u>	<u>Score</u>
Exceeds Expectations	200
Fully Meets Expectations	100
Minimally Meets Expectations	50
Fails to Meet Expectations *	0

* Employees whose overall job performance rating is "fails to meet expectations" will be assigned a score of "0" for the Individual Performance Objective, and will not be eligible for an award in the 1997 Sales Incentive Award Plan.

Individual Performance Objective scores will be factored by the overall Company results within OCC and Share to determine the final score to be assigned to each participant. For example, if the Company's results in OCC and Share equal a weighted score of 90% achieved, then all performance objective scores will be factored by 90%. Thus, the correlation between individual performance and team (Company) results is vital to maximizing your potential award for the plan year.

With the addition of the Individual Performance Objective component, an employee can earn up to 120% of his or her target for the plan year based on the Company achieving it's objectives at a rate of 100% and the employee being rated as exceeding expectations (score of 200) in the Individual Performance Objective category. Conversely, if an employee's performance rating is in the range of minimally meeting expectations (score of 50) and the Company achieves 100% of it's objectives, then the employee's award would be 90% of his or her target.

Summary

As a participant in the 1997 Sales Incentive Award Plan, each individual has the opportunity to maximize any potential awards based on individual performance and the Company's results in the areas of share and financial objectives. This plan is based on a pay for results concept whereby your individual efforts will be rewarded in a direct correlation between each participant's individual job performance rating and the results of the Company during the plan year.

1997 Sales Incentive Award Plan Eligibility Guidelines

1. The list of eligible positions are shown on the first page of this document. Employees become eligible immediately upon his or her hire date into one of the eligible positions, provided the employee is hired on or before October 1, 1997.
2. Sales Rep - E's hired after the date of October 1, 1997 will be considered for a prorated award under the Company's General Employee Bonus Plan.
3. Retail Rep - E's hired after October 1, 1997 will not be eligible to participate in neither the Sales Incentive Award Plan nor the General Employee Bonus Plan, based on their status as a temporary employee.
4. To be eligible for an award, an employee must be in an active pay status as of December 31, 1997.
5. Employees who hold more than one eligible position during the plan year will have awards prorated based on time, target percentages, and results in each job.
6. Prorated awards will be made to employees who retire during the plan year based on the number of active months of service during the plan year. These payments will be processed at the same time as the active employees.
7. In the event of an employee's death during the plan year, his or her estate will receive a prorated award determined by the employee's length of service during the plan year. As stated in #6, these prorated awards will be processed at the same time as those for the active employees.
8. No employee will be eligible for an award while on an inactive pay status, leave of absence, or extended disability.
9. For Sales Incentive Award Plan purposes a period of disability begins on the twenty-first consecutive workday that an employee is absent from work due to a disability.
10. In cases of extended disability, a prorated award will be made based on the length of time the employee is ineligible due to his or her absence from work.
11. For plan purposes, an employee's annualized base salary for award calculation purposes shall be the employee's annual rate of pay as of 10/1/97.
12. Employees rated as "Fails of Meet Expectations" will not be eligible for an award, regardless of the Company's results.
13. The RJRT CEO has final authority over the coordination and administration of this plan, and reserves the right to modify and /or terminate any and all provisions as stated in the 1997 Sales Incentive Award Plan. Participation in the 1997 Sales Incentive Award Plan does not constitute a guarantee of continued employment.

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